

The Financial Times of Indiana

News from the Office of Governor Frank O'Bannon

Thursday, May 23, 2002

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The News in brief...

Progress Made In Special Session

Governor Frank O'Bannon publicly thanked Chairman Pat Bauer and his fellow members of the House Ways and Means Committee yesterday who "stepped up" to approve House Bill 1001ss. In a vote of 19-6, the bill received unanimous support from the 16 Democrats on the committee, as well as 3 Republicans voting for it. It now moves to the floor of the House for consideration by the full 100-member House.

House Bill 1001ss provides remedies for the state's recession-driven budget difficulties and also protects Hoosier homeowners from onerous property tax increases that result from court-ordered reassessment. It also updates the state's business taxes to make Indiana a more attractive location for business growth and development.

House Republicans put forward their own plan, which included increases in sales, cigarette, and gaming taxes. However, HB 1001ss provides a more comprehensive solution to tax issues and the budget crisis.

The Governor does not support all of the bill's provisions—like the expansion of gaming in Indiana—but he said moving the legislation out of the committee and allowing further negotiation on its details is an important step. In the words of some who voted for the bill:

"Times aren't easy out in rural Indiana. I think we need to move forward. The time has come for us to act. We may not have the opportunity again." Rep. Bill Friend, R-Macy.

Rep. Sheila Klinker, D-Lafayette: "I think this bill is pro-business, pro-education and pro-people," said "I really feel this bill helps a lot of sectors of the economy."

Claire Leuck, D-Fowler: "I want to leave my term and say we've accomplished something. I think this bill moves us in the right direction."

What Others Are Saying

...There's nothing equivocal about the fiscal crisis in the states...And despite signs of an economic recovery, next year looks to be at least as tough as this one...The problem is not that states are profligate spenders. Indeed, 39 states cut their projected budgets by a total of \$15 billion this year. Overall spending rose only 2 percent in fiscal 2002; next year, it is expected to increase only 1.4 percent. That does not begin to cover the costs of inflation and population growth.

David Broder Editorial

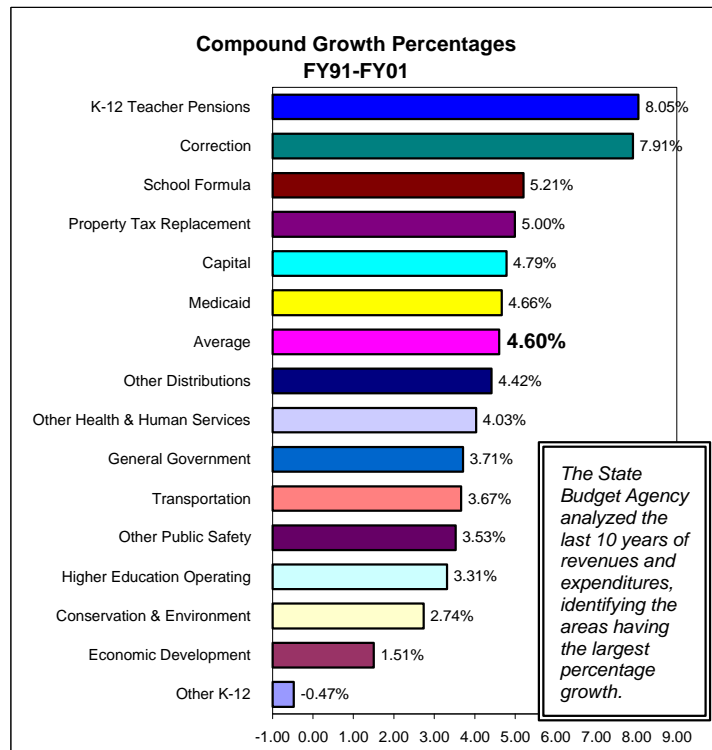
Bloomington Herald-Times, May 22, 2002

Where'd the Money Go?...Washington Style

It's the recession! The White House Office of Management (OMB) and Budget, directed by Hoosier Mitch Daniels, last year projected a ten-year budget surplus of more than \$3 trillion. In January of this year, the non-partisan Congressional Budget Office (CBO) released information indicating that the projected surplus of \$313 billion for FY 2002 was estimated to now be a \$21 billion DEFICIT in the federal budget. Federal fiscal years run from October 1 to September 30.

Sources: Office of U.S. Senator Tom Daschle and the Cato Institute

Indiana Spends Less On Government Than 44 Other States



Not only is Indiana 45th in the nation in per capita state spending, but the above chart shows that state spending, growing by an average of 4.6% over the last ten years, has been increased the most to protect Indiana classrooms, communities and homeowners on a continued basis.

Sources: NASBO and IN State Budget Agency

Budget News From Around the Nation



Recent economic data suggest the economy is recovering but states still are experiencing dismal budget situations. Revenue growth is anemic, spending pressures continue to rise, and states are facing massive budget shortfalls. Since fiscal 2002 budgets were enacted last spring, 40 states have had to battle budget shortfalls that total nearly \$40 billion. For a closer look at the situation, [click here](#).

Also, to help fix budget shortfalls:

- **New York's** cigarette tax was raised from \$1.11 to \$1.50/pack
- **Massachusetts's** cigarette taxes were hiked by \$1 per pack
- **Missouri** made deep cuts to nursing homes, colleges and universities and furloughed 6,000 state employees for two days

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